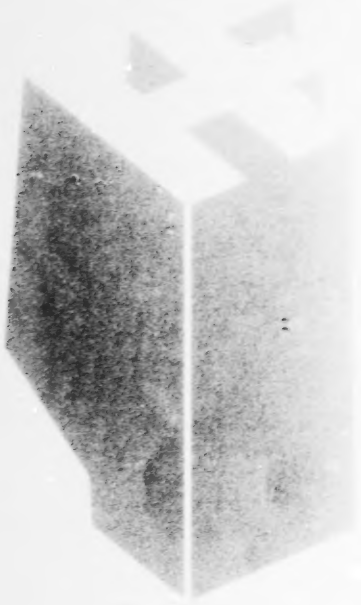
ANNUAL REPORT 1982-83



ALBERTA HERITAGE SAVINGS TRUST FUND

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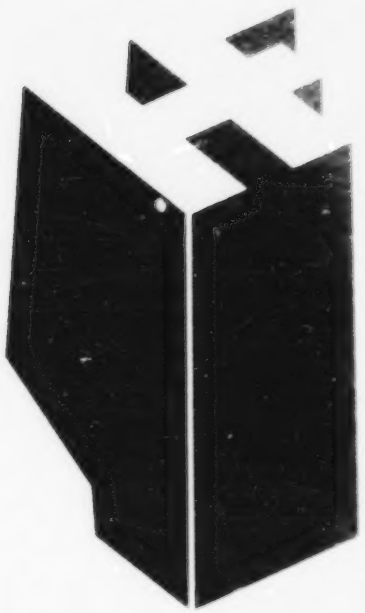

Alberta
TREASURY

Hon. Lou Hyndman
Provincial Treasurer

A.F. Collins
Deputy Provincial Treasurer

Additional copies of this annual report and copies of the future quarterly reports on the Alberta Heritage Savings Trust Fund may be obtained by writing:

Heritage Fund Reports
434 Terrace Building
Edmonton, Alberta T5K 2C3

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Provincial Treasurer's Report

This is the seventh annual report to Albertans on their Heritage Savings Trust Fund.

In 1982-83, the Heritage Fund was called upon for the first time to play a role in supplying funds to support economic resurgence expenditure programs. This use of part of the savings Albertans have in the Heritage Savings Trust Fund was implicit in the Fund's original design. In deciding to set aside part of the Province's resource revenues for investment in a Heritage Fund, the Legislature in 1976 recognized that prudent saving would provide a measure of protection in times of economic downturn and fluctuations in these revenues.

The year under review was a difficult one for Albertans. The economic slowdown in Canada and abroad lessened the demand and softened prices for Alberta products in all leading sectors: oil and gas, agriculture, petrochemicals and forestry. Interest rates at very high levels put added pressure on Alberta households, farms and businesses.

Early in the year, the Alberta government responded with a stimulative budget and Phase One of the Alberta Economic Resurgence Plan which was targetted primarily at the vital oil and gas sector. The incentives it contained reduced the royalty revenues flowing to the Province and increased the budgetary deficit.

In September 1982, the government initiated Phase Two of the Economic Resurgence Plan. Two-year interest rate shielding programs were put in place to assist homeowners, farmers and small businesses and to provide not only relief but also certainty and stability in interest rates. This stability is helping to give the needed confidence to consumers and the farm and business sectors to take decisions that work toward economic recovery. By March 1983, 134,000 households and over 26,000 businesses and farms had benefited from these programs.

The financial flexibility which has enabled the Alberta government to introduce these Economic Resurgence measures has been provided by the Heritage Fund. The interest shielding programs are being financed entirely by the transfer of Heritage Fund investment earnings to the Province's general revenues for their two year duration: September 1, 1982 to August 31, 1984.

An amendment to the Alberta Heritage Savings Trust Fund Act permitting this use of investment earnings was passed in the 1983 Spring Session of the Legislative Assembly. Accordingly, $866 million in Heritage Fund income has been transferred to general revenues to fund these programs as well as to help reduce the deficit. The Heritage Fund itself remains intact.

Other legislative amendments recently approved by the Assembly provided authority to reduce the allocation of non-renewable resource revenues to the Heritage Fund. Commencing April 1, 1983, the allocation has been halved from 30 per cent (in effect since the Fund's establishment) to 15 per cent. By accumulating savings at a lower rate than in the past the Heritage Fund will help reduce Alberta's external borrowing requirements for budgetary purposes. At the same time, the philosophy and basic integrity of the Fund are maintained.

These changes to the Heritage Fund meant that the Fund grew more slowly in 1982-83 than in past years. The Heritage Fund will continue as a key tool in the Province's financial management strategy. Albertans will continue to benefit from the added dimension of security it provides.

1982-83 Investment Activities

Alberta's non-renewable resource revenues declined in 1982-83 by 5 per cent from the previous year. Thirty per cent of these revenues, totalling $1,356 million, were allocated to the Heritage Fund for investment. While these resource revenues registered a drop, the Heritage Fund's net income from investments during the year increased by 47 per cent to $1,484 million from $1,009 million in 1981-82. After the transfer of $866 million of these investment earnings to the Province's general revenues and after administrative expenses, $616 million was available for investment in the Heritage Fund.

This strong growth in investment income reflects the fact that a large share of the Heritage Fund's investments were made in recent years when interest rates were relatively high. The rate of return on income-earning investments, measured on their cost, was 13.9 per cent in 1982-83, up from 12.6 per cent the previous year.

As in previous years, the focus of the Heritage Fund's investment activities in 1982-83 was on Alberta. Virtually all of the new investments of the Heritage Fund have direct benefits for the Alberta economy or social benefits for Albertans. For the third straight year these investments exceeded the new funds available from resource revenues and investment income retained, requiring the marketable securities portfolio accumulated in the early years of the Fund's operation to be drawn down.

At year end, 75 per cent of the Heritage Fund's $13 billion in assets was invested directly in Alberta. Of these, $1,605 million were non-income earning Capital Projects Division investments in fields as diverse as medical research and irrigation. The remainder, held under the Alberta Investment Division, helped finance affordable housing, the development of farms and small businesses, municipal public works, and other activities and projects with economic development objectives.

During the past fiscal year, the Heritage Fund's new investments were concentrated in the Alberta Investment Division. These Alberta-based investments were mainly in the form of loans, made at market rates, to six Alberta provincial Crown corporations. The capital provided by the Heritage Fund to these Crown corporations enables them to carry out a variety of programs that strengthen Alberta's economic base.

The Alberta Opportunity Company and the Alberta Agricultural Development Corporation make loans on favourable terms to Alberta small businesses and farm operators. In 1982-83, the Heritage Fund provided $205 million in net new financing to support their unique lending programs. The Heritage Fund's total investment in these vital sectors of the economy now exceeds $875 million.

The Alberta Home Mortgage Corporation and the Alberta Housing Corporation help meet the need for affordable housing. During 1982-83, the Alberta Home Mortgage Corporation provided mortgage financing for housing built by the private sector, making commitments to finance over seven thousand home-ownership and rental units for low to middle income Albertans. Similarly, the Alberta Housing Corporation made commitments to construct some 3,850 rental units, largely for use by our senior citizens.

In total the Heritage Fund loaned $932 million (net of repayments) to these two corporations during 1982-83, bringing total investment in housing for Albertans to $3,561 million at year end. With a lower rate of population growth and moderating interest rates, these Corporations will have a reduced role in Alberta's housing sector in the future.

(millions of dollars)

Investments in Alberta
Other Alberta Investment Division Investments — $554.4
• investments for the long term social or economic benefit of Albertans[a]
• investments for the development, transportation or processing of Canada's energy resources
• loans to other provinces and entities guaranteed by them
• investments to yield a commercial return or profit
• deposits
• marketable securities

[a] Capital Projects may not by their nature yield a return and are reported as deemed assets in the financial statements of the Heritage Fund.

Net new loans totalling over $680 million were made to the Alberta Municipal Financing Corporation and to Alberta Government Telephones. These investments support municipal works and our province's modern telecommunications system.

Although the Heritage Fund provided over $1.8 billion in net new financing to provincial Crown corporations during 1982-83, the Fund could not meet all Crown corporation requirements. As a result, the Alberta Municipal Financing Corporation began, in December 1982, to borrow in the capital market. For 1983-84, it is anticipated that both this corporation and Alberta Government Telephones will meet nearly all of their financing requirements from outside sources, rather than from the Heritage Fund.

During 1982-83, the Heritage Fund invested an initial $31 million of a $106 million commitment to Ridley Grain Ltd., a consortium of grain co-operatives and companies. This financing, along with financing provided by members of the consortium and by the Province's General Revenue Fund, will enable the construction of a Pacific coast grain terminal. The terminal, located at Prince Rupert, B.C., will triple the throughput capacity of this key west coast port and greatly help in bringing western Canadian grain to market.

The Alberta Investment Division earned $1 billion in investment income in 1982-83. This represented a 55 per cent increase over the previous year reflecting the growth in this Division and the fact that many of its investments were made during periods of relatively high interest rates.

In 1982-83, investments totalling $296 million were made in 24 ongoing projects under the Capital Projects Division which provide lasting social and economic benefits to Albertans. Work continued on the Walter C. Mackenzie Health Sciences Centre in Edmonton and the Southern Alberta (Tom Baker) Cancer Centre and Specialty Services Facility in Calgary. Development of recreation facilities progressed in several urban centres and at the Kananaskis Country Park. The long term viability of key sectors of the Alberta economy was also enhanced through support for the province's irrigation systems and for oil sands and enhanced oil recovery programs.

No new investments were made under the Canada Investment Division during 1982-83. New loans under this Division have been suspended indefinitely to provide additional funds for priority needs in Alberta. However, investments made in earlier years contributed $245 million to the Fund's investment earnings.

Through the Commercial Investment Division, the orderly purchase of common shares continued through the year. At March 31, 1983, the Division consisted of $167 million in Canadian common shares and convertible bonds and $32 million in money market securities. The investments in common stocks represent a broad range of Canadian industrial sectors and public companies. Investment in any one company is limited to no more than 5 per cent of the shares outstanding. By the end of its first full year of operation, the market value of the Division exceeded its cost by $50 million. This solid performance reflected the general increase in Canadian share prices during 1982-83.

Highlights of 1982-83

- During 1982-83, the Heritage Fund earned net investment income of $1,484 million, up 47 per cent from $1,009 million the previous year.
- Of the total 1982-83 net investment income of $1,484 million, $616 mil-

lion was retained in the Heritage Fund and $866 million was transferred to general revenues to fund the Alberta Economic Resurgence Plan and to help reduce the Province's budgetary deficit.

- The Heritage Fund's 1982-83 rate of return measured at cost was 13.9 per cent compared to 12.6 per cent the year before. The weighted average yield to maturity on the Fund's interest-earning investments increased to 13.6 per cent at March 31, 1983, up from 13.1 per cent one year earlier.
- The market value of the Commercial Investment Division equity portfolio exceeded its cost by $50 million at March 31, 1983.
- Net income-earning investments of $1,611 million were made during the year thereby increasing total income-earning assets by 17 per cent to $11 billion.
- Earnings from the Alberta Investment Division were 55 per cent higher than last year.
- Resource revenue transferred to the Fund decreased by 5 per cent over 1981-82, the second decrease in as many years.
- Substantial new financing was provided to Alberta's Crown corporations:

Alberta Opportunity Company	$ 35 million
Alberta Agricultural Development Corporation	$170 million
Alberta Municipal Financing Corporation	$441 million
Alberta Home Mortgage Corporation	$637 million
Alberta Housing Corporation	$295 million
Alberta Government Telephones	$241 million

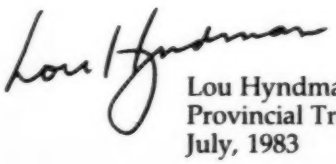
- The Heritage Fund invested the initial $31 million of an eventual $106 million investment in a new grain terminal at Prince Rupert, B.C.
- An additional $296 million was provided to support 24 ongoing projects in the Fund's Capital Projects Division.
- Other provinces and their Crown corporations made payments of principal and interest on their loans of over $253 million.

The remainder of this Annual Report provides detailed information on the investment activities of the Alberta Heritage Savings Trust Fund.

Saving and investing for the future continues to be the primary objective of the Heritage Fund. The need to save part of our oil and gas revenues is as important today as it was when the Heritage Fund was first established. Our commitment to saving is still vitally important as Alberta continues to be more reliant on revenue from depleting resources than any other province.

During 1982-83, with our citizens facing high interest rates and a world wide economic downturn, the government responded with measures which helped to minimize hardship and set the stage for recovery. Without the Heritage Fund there would have been no Economic Resurgence Plan, no Interest Shielding Programs and no Oil and Gas Activity Program.

Because of the savings accumulated in the Heritage Savings Trust Fund over the years, the significant income it generates and its job-creating investments, Alberta is in a better position to ride out the current downturn and move steadily toward recovery and sustained growth.



Lou Hyndman
Provincial Treasurer
July, 1983

How the Heritage Fund Works

The Heritage Fund was established in 1976 with the passage of the Alberta Heritage Savings Trust Fund Act. The Act sets out the sources of funds and how these funds can be invested. It defines five distinct Investment Divisions of the Fund, each with different aims and investment criteria. The Act also outlines the powers of the Legislative Assembly, the Investment Committee and the Provincial Treasurer to make investments under each Division. The Investment Committee consists of all members of the Provincial Cabinet.

Where the Funds Come From

From 1976 until 1982-83, the Heritage Fund derived its funds from two sources: (1) an annual transfer of 30 per cent of the Province's non-renewable resource revenues; and (2) the retention of its investment earnings. The transfer of resource revenues requires annual authorization by the Legislature through the passage of a Special Appropriation Act.

In March 1983, two significant amendments were made to the Alberta Heritage Savings Trust Fund Act. The first amendment broadened the transfer provisions to allow the proportion of non-renewable resource revenue to be specified in the annual Special Appropriation Act. Previously, these Acts had to provide for 30 per cent of such revenues to be transferred. During the 1983 Spring Session, the Legislative Assembly passed a Special Act authorizing the transfer to the Heritage Fund of 15 per cent of the non-renewable resource revenue received by the Province in 1983-84.

The second amendment allocates the Heritage Fund's net investment income to the General Revenue Fund for a two year period beginning September 1, 1982.

Investment Divisions

The Alberta Heritage Savings Trust Fund Act specifies that funds may be invested in any of five Investment Divisions or, under Section 10 of the Act, in marketable securities. The broad objectives and the approval processes for each Investment Division are described below.

Capital Projects Division

Capital Projects Division investments are in projects which will provide long term economic or social benefits to the people of Alberta but which may not necessarily by their nature yield a return to the Trust Fund.

The Act limits the size of this Division to 20 per cent of the assets of the Heritage Fund and requires that the Legislature appropriate funds annually for these Capital Projects. Cumulative expenditures since the establishment of the Heritage Fund are recorded as "deemed assets" in the financial statements.

Alberta Investment Division

Investments under this Division must:

(i) yield a reasonable return or profit to the Trust Fund, and
(ii) tend to strengthen or diversify the economy of Alberta.

Investments under the Alberta Investment Division are approved by the Investment Committee or by the Legislative Assembly through passage of a resolution. The Act does not limit the nature of the investments that can be made under this Division. Investments include loans to pro-

vincial Crown corporations, corporate debentures and equity holdings.

In June 1983, the Heritage Fund Act was amended to require the Legislative Assembly to approve a maximum investment in each provincial Crown corporation for a fiscal year before investments in that corporation can be made. This provision, reflecting a recent recommendation of Alberta's Auditor General, comes into effect April 1, 1984.

Commercial Investment Division

Investments in this Division are to yield a commercial return or profit to the Trust Fund. Eligible investments comprise a wide range of securities including common stocks.

The Heritage Savings Trust Fund Act permits the Investment Committee to delegate the authority to make day to day investments under this Division. Guidelines filed in the Legislature limit the investment in the common shares of any one company to no more than 5 per cent of the shares outstanding.

Canada Investment Division

Investments under this Division may take the form of loans to the federal government, to other provincial governments or to agencies guaranteed by them.

Investments require approval of the Investment Committee or the Legislative Assembly by passage of a resolution. The Act limits this Division to no more than 20 per cent of the total assets of the Trust Fund. In March 1982, lending activity under the Canada Investment Division was suspended indefinitely.

Energy Investment Division

The objective of the Energy Investment Division is to make investments which will yield a reasonable return or profit and will facilitate the development, processing or transportation of energy resources within Canada.

Investments must be approved by the Investment Committee or by a resolution of the Legislative Assembly. No new investments were made under this Division during 1982-83.

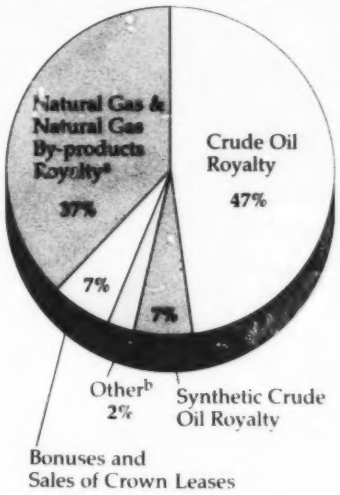
Deposits and Marketable Securities

Section 10 of the Alberta Heritage Savings Trust Fund Act authorizes the Provincial Treasurer to invest funds not immediately required in a range of debt instruments.

Where the Funds Come From

For the first time since the Fund's establishment, investment income this year exceeded the transfer of non-renewable resource revenue. Put another way, the Heritage Fund's internally generated revenue exceeded that coming from outside the Fund.

Composition of Non-Renewable Resource Revenue 1982-83



a) Net of Exploratory Drilling and Geophysical Incentive Credits
b) Includes Coal Royalties and Rentals and Fees

Non-Renewable Resource Revenue

Each year since 1976 the Heritage Savings Trust Fund has received 30 per cent of the Province's non-renewable resource revenue. The remaining 70 per cent has been used, along with taxes and other revenues, to fund health, education, social services, transportation and other government services. In 1982-83, the Heritage Fund received $1,356 million in resource revenue, a decrease of 5 per cent from 1981-82.

Royalties received from oil and natural gas production, comprising the largest sources of Alberta's resource revenues, increased marginally over the previous year. Although the economic downturn induced a drop in demand resulting in a decrease in production, this was offset by upward adjustments in prices during the year in accordance with the Alberta-Canada energy pricing agreement.

The economic downturn, the National Energy Program, high interest rates and a weakening oil price situation prevailing through most of 1982-83 tended to deter oil and gas exploration within the province. As a result, revenues received from Bonuses and Sales of Crown Leases fell by 40 per cent during the year.

Phase One of the Alberta Economic Resurgence Plan introduced the $5.4 billion multi-year Oil and Gas Activity Plan. Direct incentive grants to explorers provided many Alberta-based companies with enhanced cash flows. The Plan also included royalty reductions on oil and natural gas production. The Alberta Petroleum Incentives Program, a component of the Alberta-Canada energy agreement, was implemented during the year. These initiatives — taken to stimulate the oil and gas industry — significantly reduced the resource revenues flowing to the Province.

Investment Income

During 1982-83, the Alberta Heritage Savings Trust Fund earned net investment income of $1,484 million, compared to $1,009 million in 1981-82, an increase of 47 per cent.

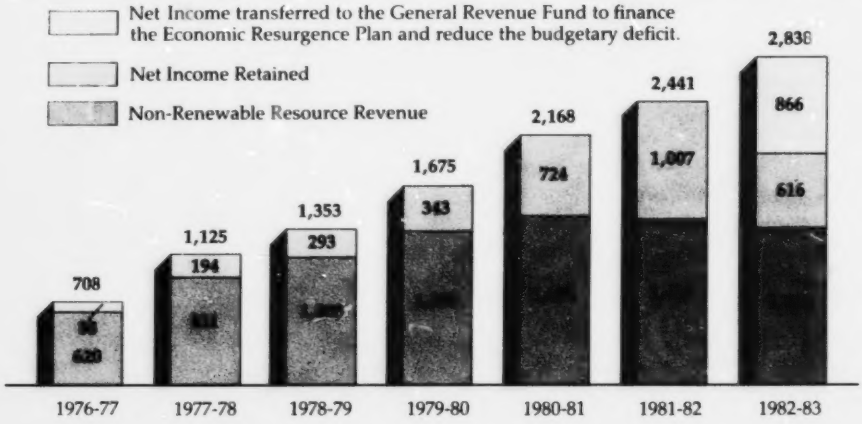
The Alberta Heritage Savings Trust Fund Amendment Act, 1983 specifies that seven-twelfths (7/12) of 1982-83 net investment income be transferred to the Province's general revenues to be used to fund the Economic Resurgence Plan and to help reduce the budgetary deficit. This proportion reflects the seven months of the fiscal year after September 1, 1982 when the interest rate shielding programs for homeowners, farms and small businesses were introduced.

After deducting the transfer of income to general revenues, and administrative expenses, the net income retained by the Heritage Fund in 1982-83 was $616 million.

In 1982-83, income earning investments provided a rate of return on amortized cost of 13.9 per cent. This was up from 12.6 per cent the previous year. The weighted average yield to maturity of fixed income securities at March 31, 1983 was 13.6 per cent compared to 13.1 per cent one year earlier.

Non-renewable Resource Revenue and Investment Income

(millions of dollars)



Income, Rates of Return and Yields on Investments

	Income	Rate of Return[a] on Amortized Cost	Yield to Maturity[b] on Amortized Cost of Fixed Income Securities
	(millions of dollars)	(%)	(%)
Canada Investment Division	$ 245.1	13.2	13.2
Alberta Investment Division	$ 1,021.2	14.0	14.1
Energy Investment Division	$ 3.5	14.6	14.6
Commercial Investment Division	$ 14.8[c]	8.3[c]	9.6[d]
Deposits and Marketable Securities	$ 199.5	13.8	10.0
Total	**$ 1,484.1**	**13.9**	**13.6**

a) Time weighted rates of return on cost for the year ended March 31, 1983. Rate of return is the income from an investment over a period, including realized gains or losses, expressed as a percentage of the average value of the investment over that period. The time weighted method is a commonly used calculation which removes the potentially distorting effects on rate of return of the timing of new cash flows to or from the Fund.

b) Yield to maturity, a characteristic of an investment at a specific date, is an estimate of the annual rate of return an investor would realize on his investment if he held it until it matures. The average yields to maturity shown are at March 31, 1983.

c) Includes only dividends on shares, income on debt and net gain on sales of investments. Does not include the appreciation in market value of shares. At March 31, 1983, the market value of the Division exceeded its cost by $49.6 million.

d) Money market securities only.

Alberta Investment Division
Alberta Investment Division investments earned $1,021 million during 1982-83 an increase of 55 per cent from the previous year. Of this total, $948 million consisted of interest earnings on provincial Crown corporation and other debentures. Dividends from the equity interest in Alberta Energy Company provided $4.5 million and the Province's 16.74 per cent participation in the Syncrude project earned a $68.7 million profit for the Heritage Fund.

Commercial Investment Division
In 1982-83, the Commercial Investment Division contributed $14.8 million to the Heritage Fund's overall net investment income. Of this amount $6 million came from dividends on common shares and $8.8 million from interest earnings on money market securities and convertible bonds.

Canada Investment Division
No new investments were made under the Canada Investment Division during 1982-83. However, the Fund's existing holdings of debentures of other provinces and their Crown corporations contributed $245 million to the Heritage Fund's overall income.

Deposits and Marketable Securities
The portfolio held under the authority of Section 10 of the Alberta Heritage Savings Trust Fund Act earned $199 million in income. Its weighted average yield to maturity at March 31, 1983 was 10 per cent compared to 13.7 per cent one year earlier, reflecting a drop in market interest rates experienced in the second and third quarters of 1982-83 and the short term nature of the portfolio.

Capital Projects Division

Investments are made in capital projects to provide long term economic or social benefits to the people of Alberta. They may not, however, by their nature, yield a return to the Fund. The cumulative investments made in capital projects are reported as deemed assets in the financial statements.

Capital projects are administered by various Provincial departments. Described below are those to which funds were appropriated for 1982-83. A number of other projects were completed in previous fiscal years: New Rail Hopper Cars, Heritage Learning Resources and Applied Heart Disease Research. Further, two endowment funds, the Alberta Heritage Foundation for Medical Research Endowment Fund and the Alberta Heritage Scholarship Fund, established in earlier years with appropriations of $300 million and $100 million respectively, are continuing to support a range of ongoing medical research and scholarship programs.

Project Administered by Advanced Education

Library Development

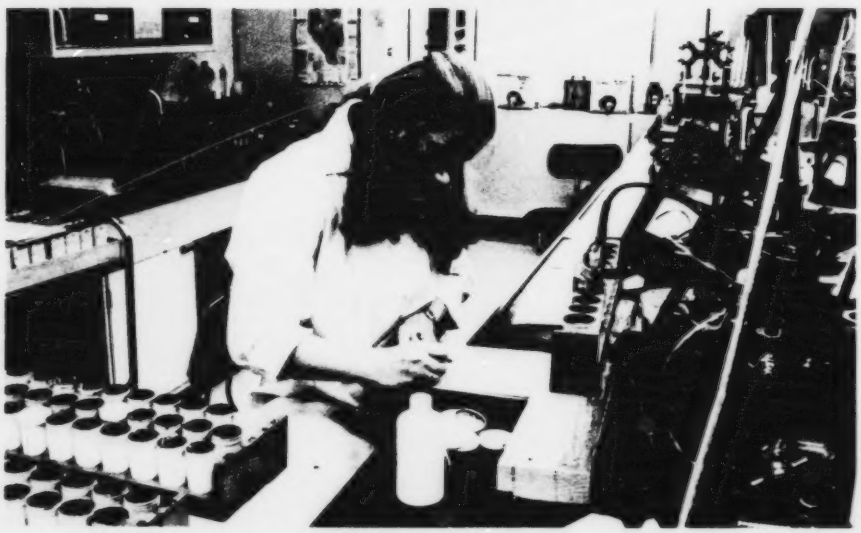
In 1982-83, grants totalling $0.3 million were provided to complete the $9 million Library Development project. During the four years of Heritage Fund support for the project, grants to Alberta universities and public colleges and the Banff Centre enabled these institutions to expand and upgrade their holdings of learning materials. Over 600,000 volumes of library materials were acquired through this project.

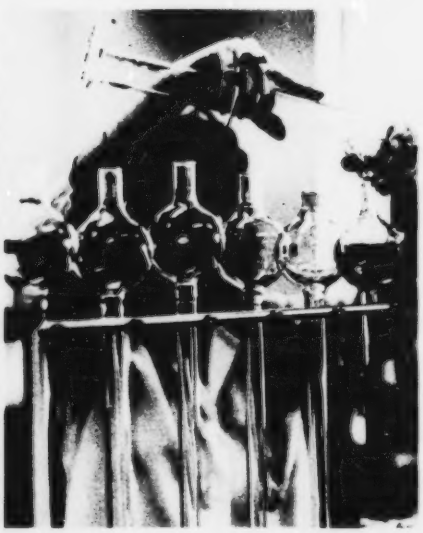
Projects Administered by Agriculture

Farming For The Future

In 1982-83, Farming for the Future continued its role of augmenting and supplementing research carried out by various agricultural research institutions with an expenditure of $7.5 million. During the year, two new initiatives commenced. The On-Farm Demonstration Program is designed to permit producers to undertake applied research as well as on-farm testing and demonstration of innovative technology. The Graduate Stu-

The soil testing shown here is part of one of the broad range of agricultural research projects supported by Farming for the Future.





dent Research Support Program is designed to encourage graduate student research in the agricultural sciences. Aimed at improving net farm income and the long-term viability of agriculture in Alberta, Farming for the Future has been supported with a total investment of $17.5 million to March 31, 1983.

Food Processing Development Centre
The Centre, in Leduc, will provide the food industry and researchers with an Alberta facility which can be used for the development and testing of new products, processes and packaging systems. Capabilities will include the ability to evaluate equipment and ingredients under controlled conditions. A variety of food preparation methods, complemented by taste panel facilities available to industry at the Centre, will facilitate the test marketing of food products in Alberta. Construction of the facility commenced in 1982-83 with expenditures of $3 million. Total investment to March 31, 1983 was $3.8 million.

Irrigation Rehabilitation and Expansion
In 1982-83, grants of $27.6 million were distributed among the 13 irrigation districts in this program, bringing the total investment at year end to $94.5 million. The funds are used to upgrade irrigation systems to ensure the efficient distribution of water to irrigated lands. Work included rehabilitation of canals and reservoirs, construction of new reservoirs, seepage control and drainage projects.

Projects Administered by Energy and Natural Resources

Alberta Oil Sands Technology and Research Authority
The Alberta Oil Sands Technology and Research Authority (AOSTRA) is a provincial Crown corporation which, since 1976, has received $186.4 million from the Heritage Fund for its capital activities. In 1982-83, $29.5 million was provided.

AOSTRA promotes and assists research into methods of recovering and processing petroleum from oil sands deposits and heavy crude oil

Technician inspects a flame arrester on a flare stack at one of the in-situ recovery projects supported by AOSTRA.

reserves. Field work by industry to test "in-situ" recovery processes is supported by AOSTRA. Financial assistance is also provided to students and staff of Canadian universities and the Alberta Research Council for oil sands research projects.

Conventional Oil Enhanced Recovery Program
The objective of this research project is to increase the volume of oil which can be produced from conventional crude oil reserves. The program is administered by the Alberta Oil Sands Technology and Research Authority. The Heritage Fund provided $10 million in 1982-83 for expenditures in field and laboratory work to test enhanced recovery processes. Total investment to March 31, 1983 was $10.5 million.

Alberta Reforestation Nursery
The Pine Ridge Forest Nursery became operational in 1980-81. During 1982-83, the Nursery shipped 21.3 million seedlings which were used for the reforestation of Crown lands throughout Alberta. The Heritage Fund's support of $74,000 in 1982-83 was used to plan for further construction work in 1983-84, including the expansion of the genetics and tree improvement facility and paving of the roadways and parking area. To March 31, 1983, a total of $13.5 million had been invested in this project.

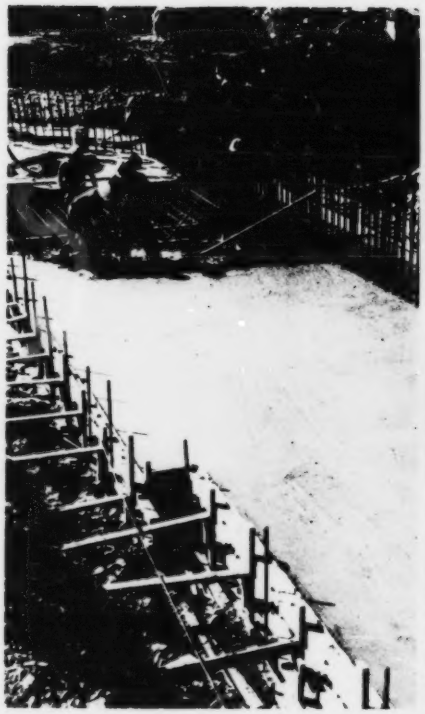
Grazing Reserves Development
This project, by developing public grazing reserves, provides additional pastureland to farmers in the grey-wooded soil areas of northern Alberta. To date, nine reserves have been completed and are operational. An additional four reserves are currently in various stages of development. Total investment reached $20.1 million at March 31, 1983, including $4.2 million expended during 1982-83.

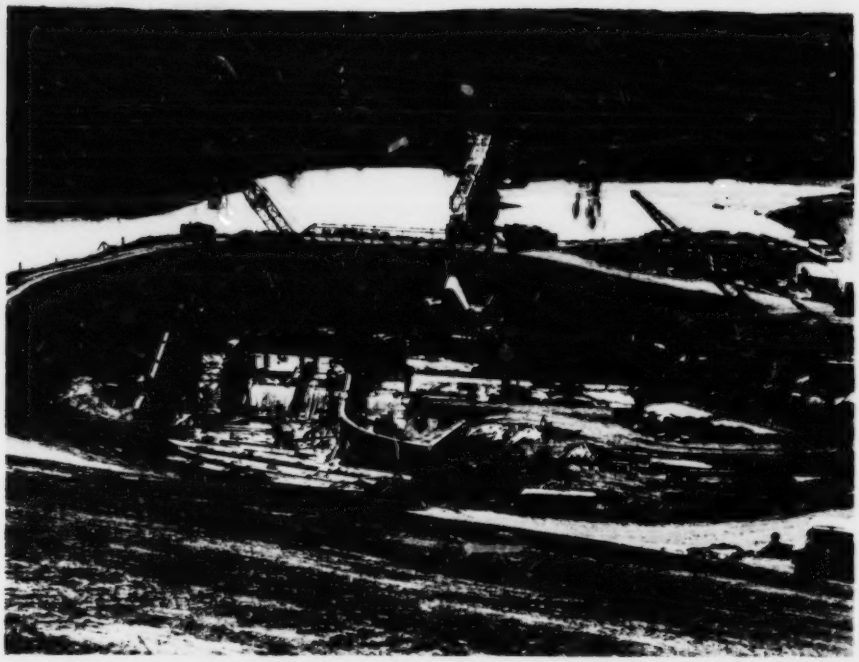
Maintaining Our Forests
The purpose of this project is to re-establish and improve the productivity of coniferous forests which have been damaged by fire, industrial clearings and non-forestry zoning, and to develop technology for future improvements in forest productivity. In 1982-83, work progressed in the Footner Lake, Lac La Biche, Peace River and Slave Lake Forests, including the planting of over 9.5 million seedlings and the thinning of 673 hectares of dense forests. Field and laboratory work on tree improvement also continued. $4.8 million was expended during the year, bringing the Heritage Fund's total investment to $11.7 million at March 31, 1983.

Projects Administered by Environment

Capital City Recreation Park
Capital City Recreation Park is situated on 1 200 hectares of river valley land in Edmonton and Strathcona County. Bicycle and pedestrian paths and bridges inter-connect parks, recreation sites, picnic and nature areas, and an exhibition site featuring science, technology and archaeological displays. In 1982-83, $0.9 million was expended on the purchase of land for the park. Total investment at year end was $42.1 million.

Irrigation Headworks and Main Irrigation Systems Improvement
This major long term project provides for the rehabilitation, upgrading or replacement of existing works on irrigation headworks systems and main canals, and the construction of additional water storage facilities and new





Irrigation headworks improvements such as these on the Oldman River system help improve water management in southern Alberta.

water delivery systems. The project is an integral part of a broad water management plan which also involves Alberta Agriculture's Irrigation Rehabilitation and Expansion project.

In 1982-83, $52.7 million was expended on the project, bringing total investment to $85.6 million at March 31, 1983. Major activities included the enlargement and rehabilitation of the Lethbridge Northern Headworks and main canal and the St. Mary River Irrigation District main canal, and engineering design of the Forty Mile Reservoir project.

Land Reclamation

As well as reclaiming land throughout Alberta which has been disturbed, this project supports research into improved methods of reclamation. Work has concentrated mainly on garbage dumps, sewage lagoons, gravel pits and mine sites.

In 1982-83, $3.4 million was spent on 122 reclamation projects and 15 research projects. The total investment to year end was $16.8 million.

Lesser Slave Lake Outlet

By stabilizing lake levels, this project will prevent the flooding of communities and agricultural lands around the perimeter of Lesser Slave Lake. During 1982-83, $0.5 million was expended to complete three channel cutoffs and to start engineering on a weir and the one remaining channel cutoff. To March 31, 1983, a total of $1.7 million has been provided by the Heritage Fund.

Paddle River Basin Development

The main component of this development is the construction of a 30 metre high dam on the upper reaches of the Paddle River. Associated work includes the provision in the flood plain area of dykes, flood-free road

systems and channel improvements. The major objectives of the project are to control the flooding of the Paddle River, to provide an assured water supply for the area and to provide recreational facilities. In 1982-83, $9.8 million was spent on the project, bringing the total investment to $23.6 million.

Project Administered Jointly by
Environment and Recreation and Parks

Fish Creek Provincial Park
Located in southern Calgary, this 1 330 hectare Provincial Park serves as a year-round natural retreat and outdoor recreation centre for city dwellers, residents of surrounding rural areas and tourists. Hiking, fishing, nature studies, cycling, swimming and cross-country skiing are among the many recreational opportunities enjoyed by visitors to the park.

In 1982-83, $1.8 million was expended on the continuing development of the park's facilities and small purchases of additional land. The total investment to March 31, 1983 was $43.4 million.

Project Administered by Executive Council

Occupational Health and Safety Research and Education
This program supports a broad range of research, training and educational activities aimed at addressing health and safety problems related to employment.

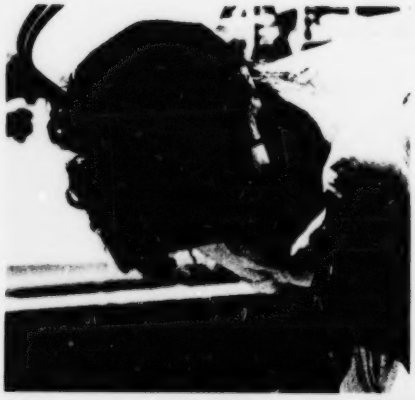
By the end of 1982-83, the second year of this eight year program, 16 projects had been completed and 21 others were underway. Expenditures during the year were $0.9 million, bringing the total Heritage Fund support at year end to $1.1 million.

Projects Administered by Hospitals and Medical Care

Alberta Children's Provincial General Hospital
This hospital, located in Calgary, became operational two years ago and is expected to be fully completed with final equipment deliveries in 1983-84. The 45 000 square metre, 128 bed hospital provides for the diagnostic assessment and treatment of children with health problems. During 1982-83, $4.1 million was expended primarily for the continued furnishing and equipping of the facility. Total investment to March 31, 1983 was $39.7 million.

Applied Cancer Research
The Heritage Fund has assisted cancer research in Alberta for seven years, with total funding reaching $16.8 million by March 31, 1983. During 1982-83, $2.9 million was granted to 84 research projects, including 17 new awards.

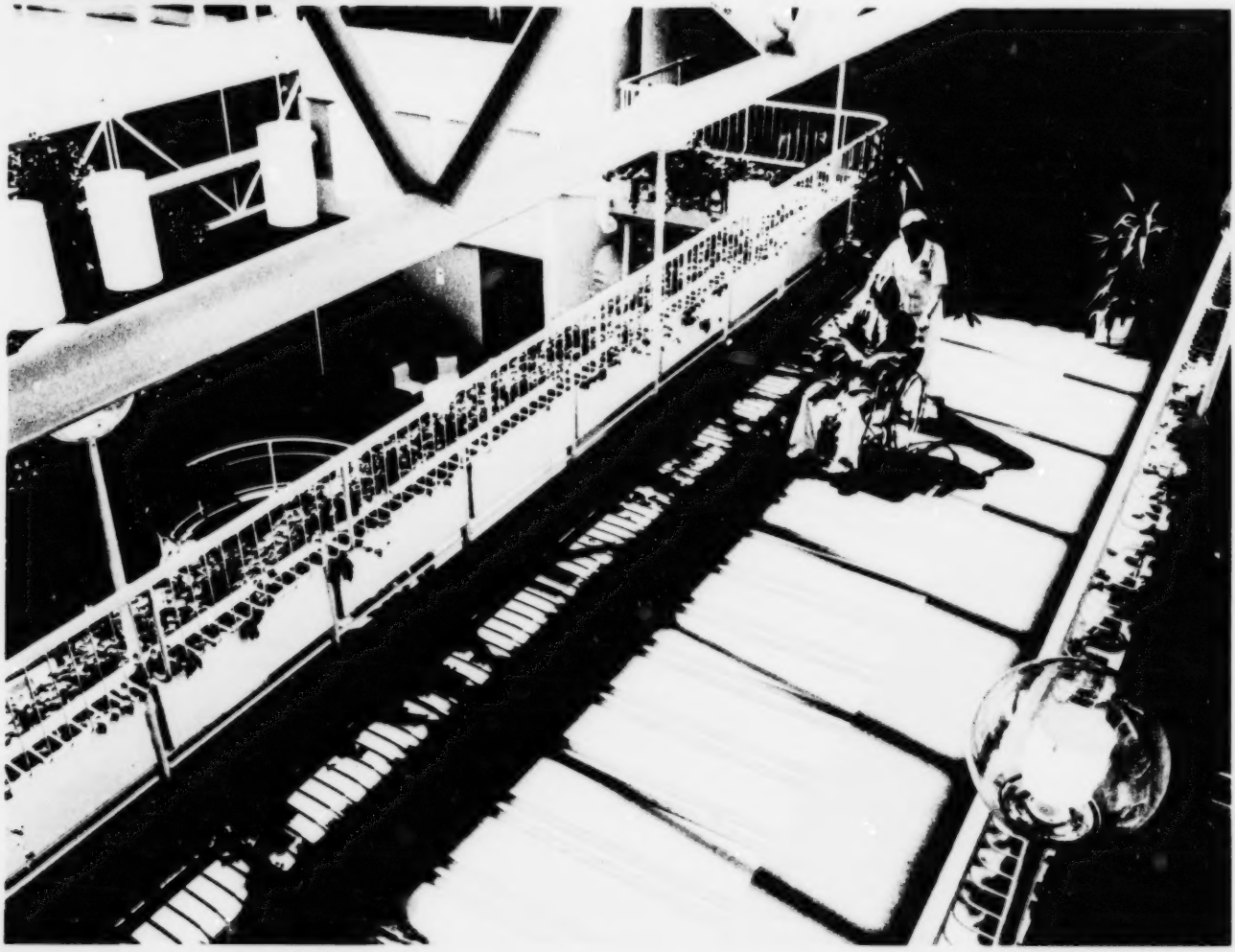
Southern Alberta (Tom Baker) Cancer Centre and Specialty Services Facility
This multi-component facility, located in Calgary, is expected to be fully completed with final equipping in 1983-84. It was opened for patient care in the fall of 1981. The major components of this 51 100 square metre facility are: an auxiliary hospital, a cancer centre, Provincial Laboratory,



specialty services, a hostel unit and a day services centre. The facility is serving as a referral centre for all of southern Alberta and as an acute care centre for northwest Calgary. During 1982-83, $8.3 million was provided, bringing the total Heritage Fund investment in this facility to $89.1 million.

Walter C. Mackenzie Health Sciences Centre

This highly sophisticated Health Sciences Centre, on the site of the University of Alberta Hospital, is designed to integrate health care, teaching and research and will replace the existing hospital when completed. During 1982-83, construction and equipping continued on the first phase of the project and phase two construction was commenced. The first patients began moving into completed areas of the Centre during the spring of 1982. In 1982-83, $60.8 million was expended on the project bringing the total investment at year end to $191.3 million.



The Walter C. Mackenzie Health Sciences Centre in Edmonton integrates health care, teaching and research in one facility.

Projects Administered by Recreation and Parks

Kananaskis Country Recreation Development
Kananaskis Country is being developed as a multi-use recreational area for the enjoyment of Albertans and visitors. At the same time, natural resource conservation and wildlife enhancement are important objectives. The area encompasses over 4,100 square kilometres of foothills and mountains along the eastern slopes of the Rocky Mountains near Calgary. With expenditures of $48.3 million in 1982-83, the Heritage Fund investment to March 31, 1983 totalled $161.7 million.

Projects substantially completed during the year were regional utilities in the Evan-Thomas area, the Kananaskis Trail (Highway 40) and the highway from Kananaskis Provincial Park to the Spray Lakes area and the golf course complex. Construction also progressed on the Mount Kidd Recreational Vehicle Park, a variety of picnic sites and trails, domestic range improvements and on projects related to the fish and wildlife enhancement program.

Urban Parks
This project provides capital funds to five cities (Medicine Hat, Lethbridge, Red Deer, Lloydminster, Grande Prairie) for the development of urban parks. The parks, when complete, will enhance the outdoor recreational opportunities available to the residents of these communities. In 1982-83, $11.5 million was spent for continued planning, land acquisition and construction. Total investment to March 31, 1983 was $18.2 million.

Project Administered by Transportation

Airport Terminal Buildings
By constructing new air terminal buildings or upgrading existing terminal facilities, this project has substantially improved the air transportation system within Alberta. In 1982-83, $2.8 million was spent on facilities at Peace River, Manning, Fort Vermilion and Lloydminster. By year end, facilities in 15 Alberta communities had been completed with a total Heritage Fund investment of $14.4 million.

Alberta Investment Division

In 1982-83, the largest proportion of the Heritage Fund's net new investment was made under the Alberta Investment Division. These new investments totalled $1,822 million bringing the assets of the Division to $8,158 million at year end representing 63 per cent of the total Heritage Savings Trust Fund.

Investments in Provincial Crown Corporations

Investments in Alberta's provincial Crown corporations amount to $7,603 million or over 90 per cent of the Alberta Investment Division. The loans made by the Heritage Savings Trust Fund to Crown corporations carry market rates of interest appropriate for the term of the loan.

The Heritage Fund's investments in provincial Crown corporations during 1982-83 enabled them to deliver programs and initiatives in diverse areas of activity. In support of Alberta's social and economic development objectives these Corporations provide programs to home purchasers, renters, local authorities, farmers and small businesses. With the exception of Alberta Government Telephones, which operates as a commercial enterprise, these corporations receive direct or indirect support through the Province's operating budget, enabling them to deliver their programs to Albertans at less than their full cost.

Alberta Opportunity Company

The Alberta Opportunity Company assists in the general growth and diversification of the Alberta economy by providing loans and loan guarantees to new and expanding small businesses that are unable to obtain financing from conventional sources. Priority is given to businesses located outside the major metropolitan centres of Edmonton and Calgary. In 1982-83, the Company made 280 loans and guarantees; its direct lending activity totalled $44 million.

During 1982-83, the Heritage Savings Trust Fund's net new investment of $35 million in the Alberta Opportunity Company brought the total investment in the Company to $161 million at year end.

Alberta Agricultural Development Corporation

The objectives of the Alberta Agricultural Development Corporation are to foster the establishment and maintenance of family farms, to improve their productivity and to encourage the processing of Alberta's agricultural products within the province. The Corporation achieves these objectives through direct lending and loan guarantee programs for farmers and agribusinesses. Some lending programs incorporate interest incentive rebates for borrowers who meet certain conditions related to farm development.

In 1982-83, the Corporation made 1,198 loans totalling $170 million under its Beginning Farmer Program. The Corporation provided $34 million in loans to assist more established farms to expand and improve their productivity, and $8 million in financing for the establishment and expansion of agriculture-related businesses. The Corporation also provides loan guarantees to Alberta farmers and agribusinesses.

During the fiscal year ended March 31, 1983, the Heritage Savings Trust Fund's investment in the Alberta Agricultural Development Corporation increased by $170 million to $718 million.

Alberta Agricultural Development Corporation offers lending programs for farmers and agribusinesses such as this hatchery in Edmonton.

Alberta Municipal Financing Corporation

The Alberta Municipal Financing Corporation provides loans to municipalities, school systems and hospital boards in the province. The interest rates on its loans to these borrowers are based on the Corporation's cost of borrowing at the time of the loan. During the fiscal year, the Province directly subsidized over 90 per cent of the loans to municipalities through a program which rebated interest costs in excess of a floor rate.

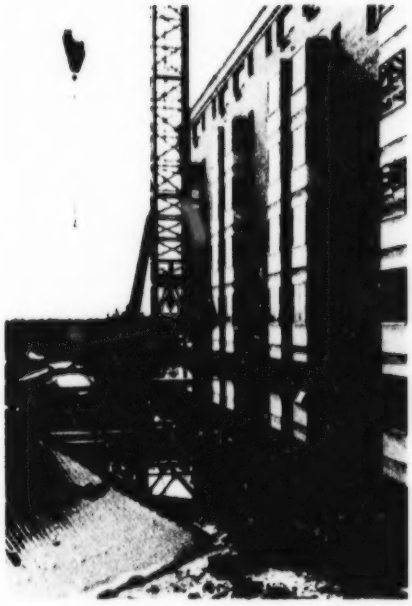
In 1982-83, the Heritage Savings Trust Fund provided $441 million (net) to the Alberta Municipal Financing Corporation, increasing the Fund's total investment in the Corporation to $1,450 million at March 31, 1983. The remainder of the Corporation's requirements were met by borrowing in Canadian capital markets and from the Canada Pension Plan.

Alberta Home Mortgage Corporation

The Alberta Home Mortgage Corporation's programs are directed to increasing the supply of affordable rental and ownership housing provided by the private sector and to assist low to middle income Albertans in acquiring housing in the market. Programs include the provision of subsidies to builders of rental housing, the benefits of which are passed on to tenants in the form of lower than market rents, and mortgages for home purchasers that carry a subsidy to reduce monthly payments to a level commensurate with family income.

Under its popular Family Home Purchase Program, the Corporation committed $250 million to provide homes to 4,100 Alberta families. Over $130 million was committed for the construction of rental apartments. In total, the Corporation committed to finance over 7,000 housing units in 1982-83, a significant contribution to affordable housing in Alberta.

The Alberta Home Mortgage Corporation was the Heritage Fund's largest borrower in 1982-83 with borrowings of $637 million (net). At year end, nearly one-fifth of the Fund's total assets — $2,540 million — were debentures of this Corporation.



Above: Alberta Housing Corporation's 304 unit Montgomery Legion Place for senior citizens under construction in Edmonton.

Above right: Modern suites for self-sufficient senior citizens have been constructed throughout Alberta by Alberta Housing Corporation.

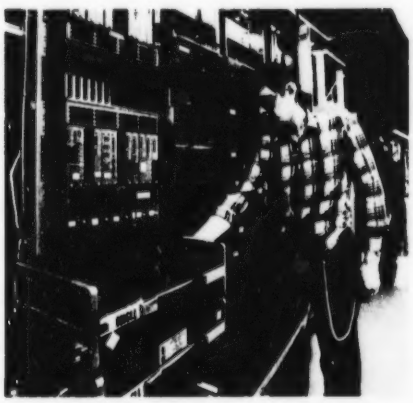
Alberta Housing Corporation

The principal mandate of the Alberta Housing Corporation is to provide affordable housing to senior citizens and other Albertans whose housing needs cannot be adequately met in the market place. The operating costs of many projects are shared with other levels of government. Local authorities and non-profit groups play a significant role in the planning, development and operation of projects.

Under its Senior Citizens Self Contained Program, the Alberta Housing Corporation committed funds to construct 2,244 units in 1982-83. These projects, for healthy and active seniors, are found in communities throughout Alberta. As well, funds were committed for the construction of 403 beds in Senior Citizens Lodges and 1,088 units under the Community Housing Program, for low to moderate income Albertans of all ages. This housing is provided at rents which are significantly below cost.

The Heritage Savings Trust Fund loaned $295 million (net) to the Alberta Housing Corporation in 1982-83, bringing the Fund's total investment in the Corporation to $1,021 million at March 31, 1983.

Below: Alberta Government Telephones maintains an up-to-date communications system for Albertans. The equipment shown here converts voice and data signals to light signals for transmission via fibre optic cables.



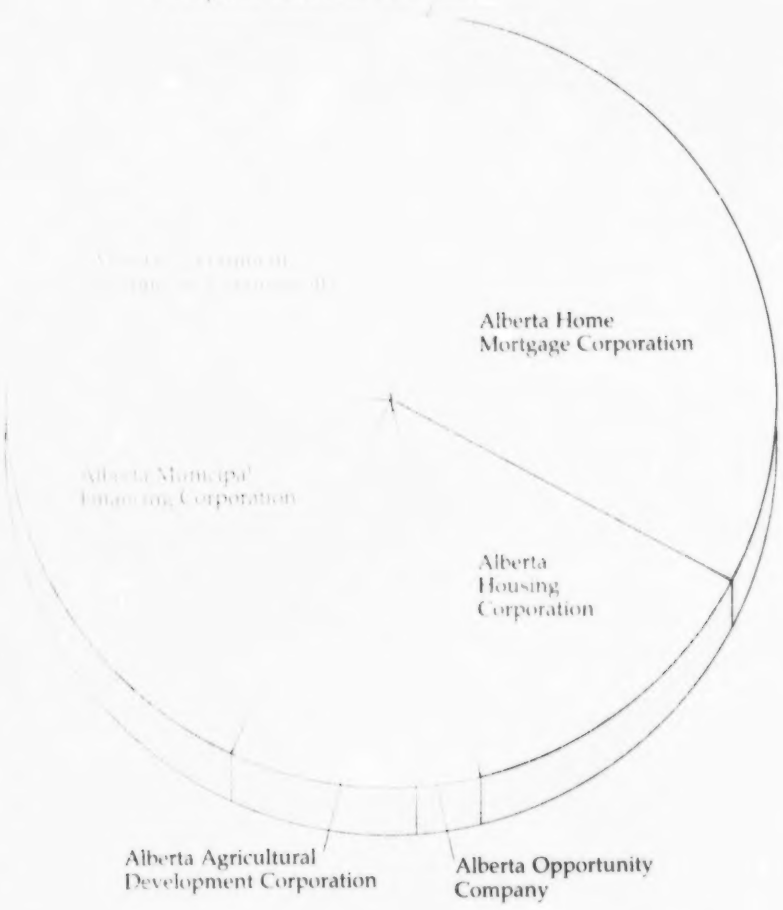
Alberta Government Telephones

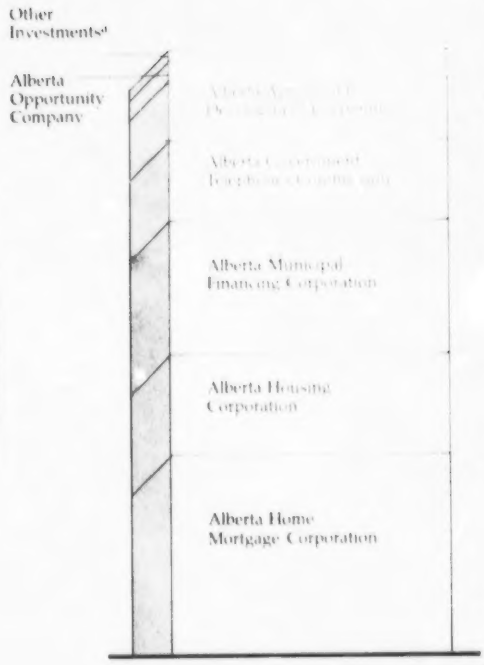
In the fiscal year ended March 31, 1983, the Heritage Savings Trust Fund invested $241 million (net) in the Alberta Government Telephones Commission bringing total investment in the Commission to $1,713 million. Using these funds, the Commission expanded and developed its telecommunications network in order to continue to provide high quality local, long distance, data and mobile communications services to Albertans.

Other Investments

Prince Rupert Grain Terminal (Ridley Grain Ltd.)

In 1982-83, the Heritage Fund began financing the Prince Rupert Grain Terminal. Construction commenced in 1982 and the terminal is expected





a) Includes an investment in Ridley Grain Ltd. and the net change in participation in the Syncrude Project and in corporate investments.

to be in service in 1985. The terminal is being constructed by a consortium of six major grain handlers in Western Canada and will be operated by them. With a throughput capacity of 3.5 million tonnes annually, it will boost grain export potential from Canada's Pacific coast by about 20 per cent and significantly enhance the movement of Alberta grain to market.

The Alberta Heritage Savings Trust Fund's total investment in the Project will be $106.3 million of which $31.4 million was advanced in 1982-83. The Fund's investment is in the form of participating first mortgage bonds to be repaid over a 30 year period and with the return to the Heritage Fund taking the form of an annual interest payment and a participation in the cash flow of the project until the maturity date of the bonds.

Syncrude

The Province of Alberta's 16.74 per cent participation in the Syncrude Project produced a net profit of $68.7 million for the fiscal year ended March 31, 1983. By comparison, in 1981-82 the Heritage Fund received $41.6 million from its participation in the Project and from interest on debentures which were converted on January 1, 1982 into additional participation. At March 31, 1983, Alberta's participation in the Project amounted to $411.3 million.

Alberta Energy Company Ltd. (AEC)

The Alberta Energy Company Ltd. is a Canadian-owned company established to encourage Canadians to participate in the development of energy and other natural resources. AEC common shareholders total over 55,000, with more than 50 per cent owning 100 shares or less. Since the successful completion of the Company's second common share offering, ownership by the general public has increased to 55 per cent of the outstanding common shares. The remaining 45 per cent of outstanding common shares are held under the Alberta Investment Division. In June 1983, the AEC Act was amended to remove reference to the Province maintaining a 50 per cent interest in the Company.

AEC participates in the exploration for, and development of, gas and oil, and has investments in Syncrude, pipelines, forest products, steel and coal. During 1982-83 the Heritage Fund received $4.5 million in dividends from its investment in AEC.

Alberta Investment Division

Summary of Investment Transactions For the Year Ended March 31, 1983

	Cost March 31, 1982	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1983
	(millions of dollars)				
Alberta Opportunity Company Debentures					
Investments at March 31, 1982	125.8		—	22.6	103.2
Investments made during 1982-83:					
15.60% Mar. 31, 1987		8.0	—	—	8.0
15.89% Jun. 15, 1987		9.0	—	—	9.0
13.42% Sep. 30, 1987		10.0	—	—	10.0
11.60% Dec. 15, 1987		15.0	—	—	15.0
10.84% Jan. 31, 1988		8.0	—	—	8.0
10.92% Mar. 31, 1988		8.0	—	—	8.0
	125.8	**58.0**	**—**	**22.6**	**161.2**
Alberta Agricultural Development Corporation Debentures					
Investments at March 31, 1982	548.2		—	11.2	537.0
Investments made during 1982-83:					
16.28% Apr. 1, 2007		19.0	—	—	19.0
17.28% Jun. 30, 2007		20.0	—	—	20.0
16.83% Aug. 1, 2007		18.0	—	—	18.0
15.29% Sep. 1, 2007		11.0	—	—	11.0
15.00% Sep. 23, 2007		33.0	—	—	33.0
13.43% Nov. 1, 2007		15.0	—	—	15.0
12.82% Dec. 1, 2007		11.0	—	—	11.0
12.41% Jan. 4, 2008		21.0	—	—	21.0
13.03% Feb. 1, 2008		13.0	—	—	13.0
12.64% Mar. 1, 2008		20.0	—	—	20.0
	548.2	**181.0**	**—**	**11.2**	**718.0**
Alberta Municipal Financing Corporation Debentures					
Investments at March 31, 1982	1,008.2		2.1	—	1,010.3
Investments made during 1982-83:					
15.75% May 3, 1987		39.9	—	—	39.9
15.375% Jun. 15, 1987		49.8	—	—	49.8
16.875% Aug. 3,1987		69.9	—	—	69.9
15.50% Sep. 1, 1987		209.6	—	—	209.6
13.50% Nov. 1, 1989		150.0	—	80.0	70.0
11.875% Dec. 1, 1990		145.0	—	145.0	—
	1,008.2	**664.2**	**2.1**	**225.0**	**1,449.5**
Alberta Home Mortgage Corporation Debentures					
Investments at March 31, 1982	1,903.2		—	63.1	1,840.1
Investments made during 1982-83:					
16.43% Apr. 1, 2002		50.0	—	—	50.0
16.59% Apr. 15, 2002		50.0	—	—	50.0
16.10% May 15, 2002		50.0	—	—	50.0
16.51% Jun. 15, 2002		50.0	—	—	50.0
17.33% Jul. 15, 2002		50.0	—	—	50.0
16.47% Aug. 15, 2002		50.0	—	—	50.0
15.13% Sep. 15, 2002		75.0	—	—	75.0
14.57% Oct. 1, 2002		75.0	—	—	75.0
13.11% Nov. 1, 2002		50.0	—	—	50.0
12.62% Nov. 15, 2002		50.0	—	—	50.0
12.63% Dec. 15, 2002		50.0	—	—	50.0
13.00% Feb. 1, 2003		50.0	—	—	50.0
12.47% Mar. 1, 2003		50.0	—	—	50.0
	1,903.2	**700.0**	**—**	**63.1**	**2,540.1**

	Cost March 31, 1982	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1983
	(millions of dollars)				
Alberta Housing Corporation Debentures					
Investments at March 31, 1982	725.7			4.5	721.2
Investments made during 1982-83:					
16.46% Mar. 31, 2012		30.0	—	—	30.0
16.16% Jun. 1, 2012		50.0	—	—	50.0
16.82% Aug. 5, 2012		50.0	—	—	50.0
14.36% Oct. 7, 2012		50.0	—	—	50.0
12.57% Nov. 29, 2012		50.0	—	—	50.0
12.33% Jan. 19, 2013		50.0	—	—	50.0
12.60% Mar. 18, 2013		20.0	—	—	20.0
	725.7	**300.0**	**—**	**4.5**	**1,021.2**
Alberta Government Telephones Commission Debentures					
Investments at March 31, 1982	1,472.4		1.5	100.0	1,373.9
Investments made during 1982-83:					
15.50% Mar. 16, 1987		54.8	—	—	54.8
15.75% Jun. 15, 1987		99.8	—	—	99.8
15.50% Aug. 24, 1987		99.8	—	—	99.8
13.50% Nov. 1, 1989		85.0	—	—	85.0
	1,472.4	**339.4**	**1.5**	**100.0**	**1,713.3**
Total Provincial Corporations	**5,783.5**	**2,242.6**	**3.6**	**426.4**	**7,603.3**
Other Alberta Investment Division Investments:					
TransAlta Utilities Corporation Debenture					
13.75% Apr. 17, 1985	19.8	—	0.1	—	19.9
Bralorne Resources Ltd. Debenture					
12.875% Aug. 15, 1995	5.0	—	—	—	5.0
Interprovincial Steel and Pipe Corporation Ltd. Debenture					
14.50% May 15, 1995	5.0	—	—	—	5.0
Canadian Commercial Bank Debenture					
(a) Jul. 4, 1986	5.0	—	—	—	5.0
Ridley Grain Ltd. Debenture					
11.00% Dec. 31, 2016	—	31.4	—	—	31.4
Standard Guarantee Holdings Ltd. Preferred Shares					
12% cumulative redeemable	1.0	—	—	1.0	—
Standard Guarantee Holdings Ltd. Common Shares	0.1	—	—	0.1	—
Alberta Energy Company Ltd. Common Shares	76.8	—	—	—	76.8
Participation in Syncrude Project	439.0	201.4[b]	—	229.1[c]	411.3
Total	**6,335.2**	**2,475.4**	**3.7**	**656.6**	**8,157.7**

(a) Floating at the bank's prime lending rate less 0.5%.
(b) Includes advances ($132.7 million) plus current year net profit ($68.7 million).
(c) Repayment of advances during the year.

Canada and Energy Investment Divisions

Canada Investment Division

No new loans were made under the Canada Investment Division in 1982-83. Lending under this Division has been suspended indefinitely to help ensure that funds are available to meet priority needs in Alberta.

At March 31, 1983, investments totalled $1,903 million or 14.6 per cent of the assets of the Heritage Fund. During 1982-83, interest payments on these loans made in previous years contributed $245 million toward the Fund's investment earnings.

Summary of Investment Transactions For the Year Ended March 31, 1983

	Par Value March 31, 1983	Cost March 31, 1982	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1983
				(millions of dollars)		
Province of Manitoba	**260.0**	**258.0**	—	**0.2**	—	**258.2**
Province of New Brunswick	247.0	243.8	—	0.4	—	244.2
New Brunswick Electric Power Commission	135.0	132.9	—	0.1	—	133.0
	382.0	**376.7**	—	**0.5**	—	**377.2**
Province of Newfoundland	155.0	153.6	—	0.2	—	153.8
Newfoundland and Labrador Hydro	150.0	147.7	—	0.1	—	147.8
Newfoundland Municipal Financing Corporation	78.3	79.1	—	0.1	1.7	77.5
	383.3	**380.4**	—	**0.4**	**1.7**	**379.1**
Province of Nova Scotia	235.0	231.5	—	0.1	—	231.6
Nova Scotia Municipal Finance Corporation	66.7	70.8	—	0.1	4.6	66.3
Nova Scotia Power Corporation	125.0	123.5	—	0.1	—	123.6
	426.7	**425.8**	—	**0.3**	**4.6**	**421.5**
Province of Prince Edward Island	**92.0**	**92.6**	—	**0.1**	**2.0**	**90.7**
Hydro-Quebec	**385.0**	**375.3**	—	**0.5**	—	**375.8**
Total	**1,929.0**	**1,908.8**	—	**2.0**	**8.3**	**1,902.5**

Energy Investment Division

During 1982-83, no new investments were made under the Energy Investment Division. The only investment held is in debentures of Luscar Ltd. purchased in 1980-81 and yielding 14.6 per cent to maturity.

Summary of Investment Transactions For the Year Ended March 31, 1983

	Cost March 31, 1982	Purchases	Disposals, Repayments and Redemptions	Cost March 31, 1983
		(millions of dollars)		
Luscar Ltd. debenture 13.875% Dec. 2, 1989	**25.0**	—	—	**25.0**

Commercial Investment Division

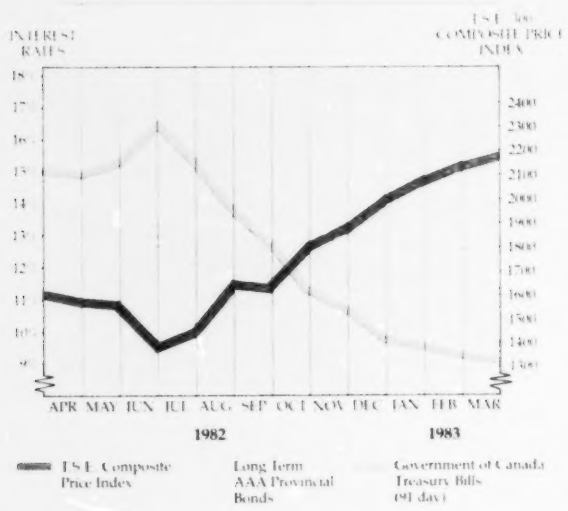
The primary objective of the Commercial Investment Division is to earn a commercial rate of return in keeping with the Heritage Fund's overall savings objective. Additionally, the Commercial Investment Division's emphasis on equity investments serves, in part, to diversify the Heritage Fund's overall portfolio which is concentrated in fixed income instruments. The Commercial Investment Division became operational late in the 1981-82 fiscal year with an allocation of $200 million approved by the Investment Committee.

The investment strategy of the Division involves a diversified equity portfolio representing a broad range of Canadian industrial sectors and public companies. The investments are passive in nature and involve no more than 5 per cent of the shares outstanding of any one company.

Throughout 1982-83, an orderly program of common share purchases was undertaken. At March 31, 1983, the Commercial Investment Division had total investments (at cost) of $198.8 million of which $166.5 million was in Canadian equities and convertible bonds with the remainder invested in short term money market securities. The market value of the equity portfolio at the end of the fiscal year was $216.1 million.

The Division contributed $14.8 million in dividends and interest to the Heritage Fund's investment income in 1982-83.

1982-83 Trends


INTEREST RATES
T.S.E. 300 COMPOSITE PRICE INDEX
APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR
1982
1983
T.S.E. Composite Price Index
Long Term AAA Provincial Bonds
Government of Canada Treasury Bills (91 day)

Summary of Investment Transactions for the Year Ended March 31, 1983

	Cost March 31, 1982	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1983	Market Value March 31, 1983
	(millions of dollars)					
Money market securities	98.5	249.5	7.7	323.4	32.3	32.3
Convertible bonds	5.1	5.3	0.1	—	10.5	13.1
Equities	85.8	71.2	—	1.0	156.0	203.0
Total	**189.4**	**326.0**	**7.8**	**324.4**	**198.8**	**248.4**

Deposits and Marketable Securities

Funds which are not immediately required under one of the five Investment Divisions are invested under Section 10 of the Heritage Savings Trust Fund Act. As shown in the accompanying table, holdings of money market securities and bonds were reduced during the year to make funds available for investments under the Capital Projects and Alberta Investment Divisions.

Short term investments consisted primarily of the obligations of Canadian banks and government treasury bills which together represented 82 per cent of short term holdings. The fiscal year began with very high interest rates. Appropriately the average term to maturity was 63 days at the beginning of the year. Approaching the last quarter of the fiscal year and having experienced a significant drop in short term interest rates, the average term to maturity of money market securities had been reduced to 28 days. The average yield to maturity on these short term holdings was 9.7 per cent at March 31, 1983.

The major components of the bond portfolio are marketable federal and provincial government securities. During 1982-83, the average term to maturity lengthened from 15.9 years to 18.2 years due primarily to the sale of shorter term bonds. The weighted average yield to maturity on an amortized cost basis was 10.4 per cent at year end.

Overall the Section 10 holdings earned net investment income of $199.5 million for the Heritage Fund in 1982-83. The deposits and marketable securities held under Section 10 earned a rate of return, based on amortized cost, of 13.8 per cent during the fiscal year.

	Cost March 31, 1982	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1983	Market Value March 31, 1983
	(millions of dollars)					
Cash and deposit in the Consolidated Cash Investment Trust Fund	**58.5**	**58.8[a]**	—	—	**117.3**	**117.3**
Marketable securities:						
Money market securities	526.4	3,739.7	70.0	4,032.0	304.1	304.1
Bonds:						
Government of Canada, direct and guaranteed	286.2	—	0.3	95.9	190.6	170.9
Province of Alberta, guaranteed:						
Alberta Government Telephones Commission	4.5	—	—	—	4.5	4.0
Other provinces, direct and guaranteed	118.2	—	0.2	21.7	96.7	80.6
Corporate	18.0	—	—	—	18.0	16.2
	953.3	**3,739.7**	**70.5**	**4,149.6**	**613.9**	**575.8**
Total	**1,011.8**	**3,798.5**	**70.5**	**4,149.6**	**731.2**	**693.1**

(a) Net deposits

Alberta Heritage Savings Trust Fund

March 31, 1983

Auditor's Report
Balance Sheet
Statement of Income, Retained Earnings, Transfers and Fund Equity
Statement of Changes in Financial Position
Capital Projects Division, Statement of Amounts Expended
Notes to the Financial Statements
Schedule of Marketable Securities
Schedule of Canada Investment Division Investments
Schedule of Alberta Investment Division Investments
Schedule of Energy Investment Division Investments
Schedule of Commercial Investment Division Investments
Schedule of Capital Projects Division Investments

To the Provincial Treasurer

I have examined the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1983 and the statements of income, retained earnings, transfers and changes in financial position and Capital Projects Division statement of funds expended for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at March 31, 1983 and the results of its operations, the changes in its financial position and the amounts expended within the Capital Projects Division for the year then ended in accordance with the disclosed basis of accounting described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

C.A.
Auditor General

Edmonton, Alberta
June 24, 1983

Alberta Heritage Savings Trust Fund

March 31, 1983
(thousands of dollars)

	1982
Assets:	
Deposit in the Consolidated Cash Investment Trust Fund	$ [illegible]
Accrued interest and accounts receivable	[illegible]
Marketable securities, Schedule 1	[illegible]
Canada Investment Division investments, Schedule 2	[illegible]
Alberta Investment Division investments, Schedule 3	[illegible]
Energy Investment Division investments, Schedule 4	[illegible]
Commercial Investment Division investments, Schedule 5	189,407
	9,699,531
Deemed Assets:	
Capital Projects Division investments, Schedule 6	1,309,322
	$11,008,853
Liabilities:	
Accounts payable	$ 33,263
Due to the General Revenue Fund	6,029
	39,292
Fund Equity:	
Represented by net assets, Statement B	9,660,239
	9,699,531
Represented by deemed assets, Statement B	1,309,322
	$11,008,853

The accompanying notes are part of these financial statements.

Alberta Heritage Savings Trust Fund

For the Year Ended March 31, 1983
(thousands of dollars)

	1982
Income and Retained Earnings:	
Investment income before the undernoted	$ 1,034,814
Add (deduct):	
Decrease (increase) in provision to adjust marketable securities to lower of aggregate cost or market value	(21,399)
Net loss on disposals of marketable securities	(4,059)
Net investment income (Note 3)	1,009,356
Administrative expenses (Note 4)	2,653
Net income for the year	1,006,703
Transfer to the General Revenue Fund (Note 5)	—
Net increase in retained earnings	1,006,703
Retained earnings at beginning of year	1,641,631
Retained earnings at end of year	2,648,334
Transfers from the General Revenue Fund (Note 6):	
Non-renewable resource revenue transfer for the year	1,434,160
Cumulative transfers at beginning of year	
As previously reported	6,888,181
Prior period adjustment (Note 6)	(1,114)
As restated	6,887,067
Cumulative transfers at end of year	8,321,227
Fund equity at end of year	$10,969,561
Represented by:	
Net assets	$ 9,660,239
Deemed assets	1,309,322
	$10,969,561

Alberta Heritage Savings Trust Fund

For the Year Ended March 31, 1983
(thousands of dollars)

Funds were provided by:

Net income for the year

Non-cash items:

Amortization of discount/premium on investments, net

Increase (decrease) in provision to adjust marketable securities to lower of aggregate cost or market value

Funds provided by operations

Non-renewable resource revenue transfer

Disposals, repayments and redemptions of investments:

Marketable securities

Canada Investment Division

Alberta Investment Division

Commercial Investment Division

Funds were applied to:

Transfer to the General Revenue Fund (Note 5)

Investments:

Marketable securities 1,876,696

Canada Investment Division 417,555

Alberta Investment Division 2,357,090

Commercial Investment Division 198,498

Capital Projects Division investments 348,814

5,198,563

Net funds provided 115,988

Deduct:

Increase in receivables 89,606

Decrease (increase) in payables 26,382

Increase in deposit in the Consolidated Cash Investment Trust Fund

Alberta Heritage Savings Trust Fund

For the Year Ended March 31, 1983
(thousands of dollars)

Department/Project	Legislative Appropriation	Amounts Expended	Unexpended (Over Expended)
Advanced Education			
Library Development	$ 288	$ 288	$ —
Agriculture			
Farming for the Future	7,500	7,499	1
Food Processing Development Centre	3,150	2,992	158
Irrigation Rehabilitation and Expansion	27,863	27,593	270
Energy and Natural Resources			
Alberta Oil Sands Technology and Research Authority	54,000	29,500	24,500
Conventional Oil Enhanced Recovery Programme	20,000	10,000	10,000
Alberta Reforestation Nursery	128	74	54
Grazing Reserves Development	7,200	4,225	2,975
Maintaining Our Forests	6,147	4,804	1,343
Environment			
Capital City Recreation Park	1,000	922	78
Fish Creek Provincial Park (Land)	2,000	453	1,547
Irrigation Headworks and Main Irrigation Systems Improvement	62,827	52,690	10,137
Land Reclamation	5,000	3,407	1,593
Lesser Slave Lake Outlet	1,060	451	609
Paddle River Basin Development	11,206	9,848	1,358
Executive Council			
Occupational Health and Safety Research and Education	1,000	909	91
Hospitals and Medical Care			
Alberta Children's Provincial General Hospital	3,470	4,115	(645)
Applied Cancer Research	4,628	2,934	1,694
Southern Alberta Cancer Centre and Specialty Services Facility	8,280	8,264	16
Walter C. Mackenzie Health Sciences Centre	80,966	60,779	20,187

Department/Project	Legislative Appropriation	Amounts Expended	Unexpended (Over Expended)
Recreation and Parks			
Fish Creek Provincial Park (Development)	$ 1,546	$ 1,329	$
Kananaskis Country Recreation Development	73,209	48,308	
Urban Parks	20,252	11,507	
Transportation			
Airport Terminal Buildings	3,150	2,839	
	$405,870	295,730	
Recovery of costs expended in previous years:			
New Rail Hopper Cars		(132)	
		$295,598	

Amounts expended were authorized under the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1981 and the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Supplementary Act, 1983.

Alberta Heritage Savings Trust Fund

March 31, 1983

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act, Chapter A-27, Revised Statutes of Alberta 1980.

(i) These financial statements have been prepared in accordance with generally accepted accounting principles, except as follows:

(a) The investment in Alberta Energy Company Ltd., which represents 45% of the total number of issued and outstanding voting shares of the company, included in the Alberta Investment Division is valued at cost. Income is recognized only to the extent that dividends are received or receivable. The book value of the investment is not adjusted for the Fund's pro-rata share of retained earnings of the company.

(b) Capital Projects Division investments represent the aggregate net amount expended from November 4, 1976 to March 31, 1983 under the authority of "Appropriation Acts" passed pursuant to section 6(2)(a) of the Alberta Heritage Savings Trust Fund Act. The Capital Projects Division investments do not represent assets owned by the Alberta Heritage Savings Trust Fund. These investments are deemed to be assets of the Trust Fund with a value equal to the amounts expended pursuant to section 6(8)(a) of the Alberta Heritage Savings Trust Fund Act.

(ii) Other significant accounting policies are as follows:

(a) Securities included in the Canada Investment Division, the Alberta Investment Division, the Energy Investment Division and the Commercial Investment Division are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the securities.

(b) The participation in the Syncrude Project, included in the Alberta Investment Division, is accounted for at cost less amortization and depreciation.

(c) Bonds included in marketable securities are valued at cost or market value, whichever is lower, on an aggregate basis. Money market securities are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the securities.

(d) The cost of disposals is determined on the average cost basis. Gains and losses arising as a result of disposals and any change in the provision to adjust the cost of marketable securities to the lower of aggregate cost or market value are included in the determination of net investment income.

(e) Marketable securities and payables in respect of forward exchange contracts denominated in foreign currency are translated at the current rate of exchange at the balance sheet date.

Unrealized exchange gains or losses which relate to the translation of hedged monetary assets are deferred.

Segmented information on net investment income is as follows:

	1983
Deposit in the Consolidated Cash Investment Trust Fund	$ [illegible]
Marketable securities:	
Money market	[illegible]
Bonds	[illegible]
Canada Investment Division investments:	
Debentures	[illegible]
Alberta Investment Division investments:	
Debentures	[illegible]
Common shares	[illegible]
Participation in Syncrude Project (a)	[illegible]
Energy Investment Division investments:	
Debenture	[illegible]
Commercial Investment Division investments:	
Money market securities	[illegible]
Convertible bonds	[illegible]
Equities	[illegible]
	$1,009,336,000

(a) Participation in Syncrude Project comprises:	
Sales of share of substances produced	$ 110,858,000
Less total operating costs	83,911,000
	$ 26,947,000

	1982
Expenses paid directly from the Fund pursuant to section 11(1) of the Alberta Heritage Savings Trust Fund Act	$1,388,000
Other administrative expenses estimated and charged to the Fund pursuant to section 11(2) of the Alberta Heritage Savings Trust Fund Act	[illegible]
	[illegible]

Administrative expenses for the year ended March 31, 1983 relating to the Syncrude Project estimated at $534,000 (1982 — $521,000) are not included in other administrative expenses but are reflected in results of operations of the project for the year.

Administrative expenses include an amount of $867,000 (1982 — $1,004,000) expended to communicate the role and activities of the Fund.

[illegible] of the net investment income of the Fund in respect of the 1982-83 fiscal year has been transferred to the General Revenue Fund pursuant to section 4(2) of the Alberta Heritage Savings Trust Fund Act. Section 4(2) of the Act also provides for the transfer to the General Revenue Fund of all of the net investment income of the Fund in respect of the 1983-84 fiscal year, and 5/12 of the net investment income of the Fund in respect of the 1984-85 fiscal year.

30% of the estimated non-renewable resource revenue received by the Province during the year ended March 31, 1983 has been transferred to the Alberta Heritage Savings Trust Fund pursuant to section 1 of the Alberta Heritage Savings Trust Fund Special Appropriation Act, 1982-83 and section 5(5) of the Alberta Heritage Savings Trust Fund Act. An adjustment may be necessary pursuant to section 5(6) of the Alberta Heritage Savings Trust Fund Act on the finalization of the 1982-83 Public Accounts, to make the amount of the non-renewable resource revenue in the Alberta Heritage Savings Trust Fund for the year ended March 31, 1983 equal to 30% of the non-renewable resource revenue received in that year.

The prior period adjustment of $1,114,000 in 1982 represents the adjustment made on the finalization of the 1980-81 Public Accounts.

For the 1983-84 fiscal year, 15% of the non-renewable resource revenue received by the Province will be transferred to the Alberta Heritage Savings Trust Fund pursuant to section 1 of the Alberta Heritage Savings Trust Fund Special Appropriation Act, 1983-84.

The Legislative Assembly has authorized the expenditure of $605,471,264 for Capital Projects Division investments during the period April 1, 1983 to March 31, 1984 pursuant to the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1983, the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1983 (no. 2) and the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Amendment Act, 1983.

Claims pending at March 31, 1983 in respect of Capital Projects Division land acquisitions, excluding interest and costs if any, exceed amounts expended by approximately $47,000,000 (1982 — $43,000,000). The actual liability cannot be determined until expropriation proceedings are completed.

Other potential claims pending at March 31, 1983 in respect of various capital projects amount to approximately $6,200,000 (1982 — $ nil). The likely resulting loss from these potential claims, if any, and other claims and potential claims for which no specific amounts have been claimed, cannot be determined.

These financial statements were approved by management on June 24, 1983.

Alberta Heritage Savings Trust Fund

March 31, 1983

	Par Value	Cost	Market Value
		(thousands of dollars)	
Bonds:			
Government of Canada, direct and guaranteed	$192,895	$190,542	[illegible]
Provincial, direct and guaranteed:			
Alberta	4,740	4,497	[illegible]
Other provinces	100,100	96,723	[illegible]
Corporate	18,100	18,011	[illegible]
	$315,835	309,773	[illegible]
Money market securities:			
Bankers' acceptances		112,238	112,238
Bearer deposit notes		90,360	90,360
Treasury bills		83,565	83,565
Short term promissory notes		17,923	17,923
		304,086	304,086
Total marketable securities		$613,859	$575,769
1982 comparative total		$953,245	$849,151

Alberta Heritage Savings Trust Fund

March 31, 1983

	1983 Par Value	Cost	1982
		(thousands of dollars)	
Debentures (a):			
Province of Manitoba	$ 260,000		$ 257,984
Province of New Brunswick	247,000		243,859
New Brunswick Electric Power Commission	135,000		132,881
Province of Newfoundland	155,000		153,587
Newfoundland and Labrador Hydro	150,000		147,714
Newfoundland Municipal Financing Corporation	78,300		79,103
Province of Nova Scotia	235,000		231,423
Nova Scotia Municipal Finance Corporation	66,650		70,850
Nova Scotia Power Corporation	125,000		123,525
Province of Prince Edward Island	92,000		92,[illegible]
Hydro-Quebec	385,000		375,322
	$1,928,950		$1,908,202

(a) Debentures bear interest rates from 9.50% to 17.75% with maturity dates from December 19, 1983 to July 15, 2005.

Alberta Heritage Savings Trust Fund

March 31, 1983

	1982
	(thousands of dollars)
Provincial corporation debentures (a):	
Alberta Agricultural Development Corporation	$ 548,240
Alberta Government Telephones Commission	1,472,402
Alberta Home Mortgage Corporation	1,903,210
Alberta Housing Corporation	725,732
Alberta Municipal Financing Corporation	1,008,178
Alberta Opportunity Company	125,800
Corporate debentures:	
TransAlta Utilities Corporation 13.75% maturing on April 17, 1985	19,787
Bralorne Resources Limited 12.875% maturing on August 15, 1995	5,000
Interprovincial Steel and Pipe Corporation Ltd. 14.50% maturing on May 15, 1995	5,000
Canadian Commercial Bank maturing on July 4, 1986 (b)	5,000
Ridley Grain Ltd. 11% participating first mortgage bonds (c)	—
Preferred Shares:	
Standard Guarantee Holdings Ltd. 12% cumulative, redeemable	1,000
Common Shares:	
Alberta Energy Company Ltd. (d)	76,764
Standard Guarantee Holdings Ltd.	100
Participation in Syncrude Project (e)	439,024
	$6,335,237

(a) Provincial corporation debentures bear interest rates from 8.125% to 18.40% with maturity dates from May 17, 1983 to March 18, 2013.

(b) Interest rate floats at the Bank's prime lending rate less 0.5%.

(c) Authorization has been given to pay from the Fund moneys required to meet the Province's guarantee obligations to invest funds in participating first mortgage bonds of Ridley Grain Ltd. up to a maximum of $106,250,000. The funds are to be used to finance a project to construct a new grain terminal on Ridley Island, Prince Rupert, British Columbia. Prior to completion of the project, interest on the bonds is to be capitalized and compounded annually. Thereafter interest is compounded semi-annually and payable annually. Any shortfall will be capitalized. The principal, including capitalized interest, is repayable over a period not exceeding thirty years from the completion of the project or December 31, 2016, whichever is the earlier.

(d) Pursuant to section 19(1) of the Alberta Energy Company Act, the aggregate amount that the Fund may have invested in the company at any time, or be committed to invest, in common shares shall not exceed $250 million as the purchase price thereof. At March 31, 1983 the Fund held 22,745,627 common shares of the company (1982 — 22,745,627 common shares) representing 45% (1982 — 45%) of the total number of issued and outstanding voting shares of the company. Assuming the exercise of the outstanding second preferred shares, series 1, of the company, which are convertible during the period July 1, 1984 to July 1, 1989, the Fund's present holding of shares in the company would represent 44% of the total number of issued and outstanding voting shares. The holding was acquired before the commencement of operations of the company.

The company reported retained earnings at December 31, 1982 of $177,300,000 (1981 — $114,400,000).

(e) Authorization has been given to pay from the Fund the Province's share of construction and operating costs incurred under the Syncrude Project Ownership and Management Agreement. As a 16.74% participant in the project the Fund is, as lessee, entitled to its proportionate share of synthetic crude oil produced subject to the liabilities to the Province of Alberta, as lessor, in accordance with the Province's Crown Agreement. The Fund's participation in the project is summarized hereunder:

	1983
Balance at beginning of year	$183,[illegible]
Acquisition of an additional 8.74% share	36,[illegible]
Acquisition of capital assets	[illegible]
Increase (decrease) in working capital	[illegible]
Depreciation and amortization of capital assets	[illegible]
Balance at end of year	$[illegible]

It is intended that the cost of participation will be fully amortized by December 31, 2013, the date of expiry of the approval of the project by the Energy Resources Conservation Board.

Alberta Heritage Savings Trust Fund

March 31, 1983

	1982
	(thousands of dollars)
Corporate debenture:	
Dascan Ltd.	
13.87% maturing on December 2, 1989	$25,000

Redeemable in equal quarterly amounts beginning March 2, 1985.

Alberta Heritage Savings Trust Fund

March 31, 1983

	Cost	Market Value
	(thousands of dollars)	
Canadian common shares:		
Communications and media	$ 6,336	$ 8,065
Consumer goods and services	16,464	24,449
Financial services	4,971	8,318
Forest products and paper	9,693	11,862
Gold	2,944	4,623
Industrial goods and services	23,293	30,714
Management companies	8,382	11,682
Merchandising	12,018	15,434
Metals and minerals	21,223	28,465
Oil and gas	27,204	30,124
Pipelines	6,615	7,466
Transportation	4,228	5,748
Utilities	12,630	16,090
	156,001	203,040
Convertible bonds	10,534	13,097
Money market securities	32,250	32,250
Total investments	$198,785	$248,387
1982 comparative total	$189,407	$184,164

Industrial classifications are those used by the Toronto Stock Exchange.

Alberta Heritage Savings Trust Fund

March 31, 1983

Department/Project

Advanced Education
- Alberta Heritage Scholarship Fund
- Library Development

Agriculture
- Farming For The Future
- Food Processing Development Centre
- Irrigation Rehabilitation and Expansion

Economic Development
- New Rail Hopper Cars

Education
- Alberta Heritage Learning Resources

Energy and Natural Resources
- Alberta Oil Sands Technology and Research Authority
- Conventional Oil Enhanced Recovery Programme
- Alberta Reforestation Nursery
- Grazing Reserves Development
- Maintaining Our Forests

Environment
- Capital City Recreation Park
- Fish Creek Provincial Park (Land)
- Irrigation Headworks and Main Irrigation Systems Improvement
- Land Reclamation
- Lesser Slave Lake Outlet
- Paddle River Basin Development

Executive Council
- Occupational Health and Safety Research and Education

Hospitals and Medical Care
- Alberta Children's Provincial General Hospital
- Applied Cancer Research
- Applied Heart Disease Research
- Southern Alberta Cancer Centre and Specialty Services Facility
- Walter C. Mackenzie Health Sciences Centre
- Alberta Heritage Foundation for Medical Research Endowment Fund

Recreation and Parks
- Fish Creek Provincial Park (Development)
- Kananaskis Country Recreation Development
- Urban Parks

Transportation
- Airport Terminal Buildings